



MEMORANDUM

To: Members of the House Committee on Tourism and Outdoor Recreation

From: Michigan Association of School Boards
Michigan Education Association
Michigan Association of Superintendents & Administrators
Michigan Association of Intermediate School Administrators
AFT Michigan
Michigan Association of Secondary School Principals
Middle Cities Education Association
Michigan Elementary and Middle School Principals Association

RE: Tax Policy Effects on School Aid Fund and Opposition to Senate Bill 1035

Date: December 11, 2018

We write today in opposition to Senate Bill 1035, which would exempt sportsmen clubs that allow their property to be used for charitable purposes from property taxes, cutting revenues to local schools by an unknown amount. We'd also like to demonstrate the cumulative totals of the tax changes that have been made this year.

Attached to this memo are two lists—the first is all of the Public Acts that have been signed during this legislative session that affect revenue streams to the School Aid Fund and local communities and schools. You'll see that six of those bills total cuts of at least \$50.85 million and nine other bills have an indeterminate negative cost.

The second memo is all of the tax policy issues that are currently pending before the Legislature. This represents any bill that has been reported from committee or passed by one chamber. There are 28 bills on this list and more are posted on various committee agendas this week.

We urge you to look very closely at these bills and the others on these lists and the cumulative damage they have over time. While each bill on its own may not seem like a large decrease to the School Aid Fund, when combined with other bills passed in recent years, the revenue streams to our local schools and the School Aid Fund continue to be eroded.

Our schools will continue to see cuts if the School Aid Fund does not receive the revenue necessary to support our students and communities. A more comprehensive conversation about how and what we tax needs to be had rather than a continued piecemeal approach to Michigan's tax system.

If you have any questions, please feel free to contact any of us in the education community listed above.



Tax Policy Changes and Costs to Local Revenue and School Aid Fund in 2017-18 Session

Fifteen Public Acts signed so far this session include a minimum loss of revenue for School Aid Fund and local districts of \$50.85 million, with indeterminate costs for 9 bills.

Two Public Acts signed so far this session include 2 bills for which the increase is indeterminate, though likely small.



SB359 (PA42'2017) – allow PPT exemption retroactively
Amount of loss unknown

SB113-114 (PA48-49'17) - exempt eligible brownfield redevelopment activities from sales and use tax

Amount of loss unknown



HB4335-4336 (PA121-122'17) – prohibit primary residence exemption in Michigan if have a similar exemption in another state

Amount of increase unknown



HB4561 and 4564 (PA 113-114'18) – clarify sales and use tax on certain agricultural equipment, retroactively to April 9, 2018

Amount of loss \$27 million in current year, \$35 million in FY18/19, settling at \$6 million after that



HB4396 (PA149'17) – modifies the pension tax for certain individuals
Approximately \$550,000 minimum loss to SAF

SB94-95 (PA 1-2'18) – accelerate the elimination of the sales and use taxes on the difference between the value of a trade-in and a new vehicle.

\$6.3 Million loss to SAF in first year, then increasing

SB 748 (PA38'18) – amend the income tax policy dealing with the number or personal and dependency exemptions

\$17 million loss to SAF in FY19, then increasing



HB4905 (PA133'18) – modify principal residence exemption for residents of nursing homes
Amount of loss unknown, likely small

HB5620-5621 (PA167-168'18) – allow sales & use tax refund claim after sale
Amount of loss unknown, likely small



HB4643 (PA172'18) – modify eligibility requirements for exemptions of the State Real Estate Transfer Tax

Amount of loss unknown



SB887 (PA201'18) – modify use tax definition for construction
Amount of loss unknown, likely small

HB4115 (PA249'18) – increase amount of sales tax exemptions for retail fund-raising activities by nonprofits

Amount of loss unknown, likely small



Tax Issues Pending Before Legislature

HOUSE FLOOR

SB390 – change in iron ore tax distribution (amount of loss: \$6 million in the first years, then decreasing)

SB906-907 – exempt all school bus leases from sales & use tax (amount of loss: \$2.8 million)

HB5428 – create income tax deduction for contributions to an enhanced MESP account (amount of loss unknown, potentially significant)

HB6294 – expand Neighborhood Enterprise Zones throughout the state (amount loss unknown)

HOUSE COMMITTEES (SECOND CHAMBER)

SB78 – continue personal residence exemption upon death of homeowner (amount of loss unknown)

SB266 – modify pension and retirement tax deductions for certain retirees (amount of loss: \$2.6 million in current year, then decreasing)

SB927 – exempt rented heavy equipment from the personal property tax (amount of loss unknown, potentially significant)

SB1026-1027 – exempt contact lenses from sales & use taxes (amount of loss: \$9.3 million)

SB1034 – modify qualified forest property that is taxable under local school operation millages (amount of loss unknown)

SB1035 – exempt sportsmen clubs from property taxes if the property is used for charitable purposes (amount of loss unknown)

SENATE FLOOR

SB45 – modify property tax exemptions for veterans (amount of loss unknown)

SB91-92 – exempt feminine hygiene products from sales & use tax* (amount of loss: \$3.7 million *does include intent language to hold SAF harmless)

SB549 – create income tax deduction for contributions to an enhanced MESP account (amount of loss unknown, potentially significant)

SB1031 – exempt utility company personal property from personal property tax (amount of loss: \$76.6 million to SAF, \$243.1 million to local school revenue)

HB4522 – create income tax exemption for stillborn birth (amount of loss unknown, likely small)

HB5143 – exempt alternative energy systems from personal property tax (amount of loss unknown, likely small)

HB5454 – allow personal residence exemption to continue while rebuilding a demolished or destroyed homestead (amount of loss unknown, likely small)

HB5680 – exclude the cost of solar panels from property tax assessments (amount of loss unknown, likely small)

SENATE COMMITTEES (SECOND CHAMBER)

HB5034 – Extend pension tax treatment to surviving spouse (amount of loss \$1.2 million in first year and then declining)

HB5913 – create sales & use tax exemptions for 501(c)(19) organizations (amount of loss unknown, likely small)

HB6485 – modify qualifying expenses related to oil and gas production (amount of loss unknown)

HB6549-6550 – exempt aviation equipment from sales and use taxes (amount of loss: \$3 million)

ENROLLED

SB511-512 – create a first-time home buyer income tax deduction (amount of loss unknown, likely small)

28 BILLS

16 loss is indeterminate

11 total an annual loss of at least \$28.6 million

1 includes a reduction of \$319.7 million/annually (SB1031)

8 bills already signed into law this session with a minimum loss of \$51 million and 9 more with an indeterminate amount that will be lost.